

SPONSOR'S REBUTTAL TO FISCAL NOTE

Bill Number: SB 385

Date Prepared: 2/22/11

Short Title: Provide for Parents as scholars Program

Sponsor: Senator Mary Caferro

Fiscal Note Version and Date: 0 2/22/11

Generally, why do you disagree with the fiscal note?

Senate Bill 385 does not require a fiscal note; this bill is about policy rather than increasing TANF services to recipients for the second 12 months of post secondary education for TANF participation in the second twelve months. The program of study has already been approved by the WoRC Operator, the Department designee, for the first 12 months, and this change allows the individual closer to their education goals.

Specifically, what in the fiscal note do you feel is flawed?

1. This bill eliminates the ability of the department to screen participants to determine suitability for on-going educational activities and places the State of Montana at risk of federal TANF program penalties and additional state costs.

The program of study has already been approved by the WoRC Operator, the Department designee, for the first 12 months. This allows the TANF participant to complete at least a second 12 months of study towards their approved educational goal. The benefit costs are included in the Department's budget as reflected in the TANF tracking sheet.

2. A. Currently, when a participant has used their 12 month period of vocational education as allowed by federal regulation, their TANF case is closed if they continue in post secondary education and do not complete the required work activity.

The case only closes if the participant does not meet the required work activity. The WoRC contractor helps assign allowable activities including work study, part-time job, and volunteer activities or internships-paid or unpaid thus the TANF recipient remains on TANF. Also, these are months rather than years which may extend the post-secondary time allowed well within the participants second year.

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B. Participants in the Parents as Scholars program from this bill would now remain in the TANF program for an extended time, so their benefits will be a cost associated with this bill.

It is assumed that the TANF recipients enrolled in their second year of vocational training will drop out of their course of study. The WoRC Operators have screened the individuals and their program of study for 12 months prior to instituting the Parents of Scholars Program. Although, it is difficult to do participation activities and attend school, the WoRC Operator provides case management, work experience, work study and volunteering to meet participation allowing participants to struggle past the second twelve months.

It is important to point out that not allowing individuals to complete a program has major impact on the institution. Two-year institutions are evaluated by program completers rather than those that simply attend, and subsequently effects funding. Those that do not complete their programs are often unable to pay back their federal loan funds which not only affect the student but the institution which is evaluated by their total number of loans in default.

- 3. In additional, the inclusion of Parents as Scholars in the TANF program will increase the number of TANF recipients that do not participate in allowable work activities, thereby increasing the potential for the department to fail the federal TANF rate requirements for overall work participation and the two parent work participation. Montana has been close to the threshold for the last several years.**

SB 385 allows 25 TANF recipients to participate in the Parents as Scholars Program. These technical notes are based on all 25 not meeting any participation—these individuals may be performing work study or internships which count toward participation. The Department must share their calculations to show that this minimal amount will dramatically effect participation.

- 4. If a penalty was assessed because the department failed to meet the required work participation rate, it could be assessed for failing either the overall rate, the two parent family rate, or both.,**

The Department has never realized a penalty. How would a minimal amount of people affect this now? Calculations are needed with a number of different scenarios including those working work study or internships. This implies the worst case scenario.

- 5. The penalty for failing the overall rate would be \$1, 418,244 in 2012 and \$1,985,541 in 2013.**

How did the department come up with these figures? The new sanction policy will result in TANF benefit savings. Do these savings estimates balance out any increased costs in the Parents as Scholars program? What are the other projected savings through policy changes that will save the TANF block grant, and mitigate any possible cost increases through the Parents as Scholars program?

6. **The penalty for failing the two parent family rate would be \$152,319 in 2012 and \$213,247 for 2013.**

How did the Department come up with these figures? The new sanction policy will result in TANF benefit savings. Does these savings estimates balance out any increased costs in the Parents as Scholars program?

7. **If either penalty was assessed, the required maintenance of effort (MOE) of state funding would increase from 75% to 80% of the grant or \$14,004,373. This is an increase of \$875,273 in state funds.**

How did the department come up with these figures? For example, the new sanction policy will result in TANF benefit savings. Does these savings estimates balance out any increased costs in the Parents as Scholars program? The 25 TANF clients are minimal, and it seems to be a stretch to assume the MOE will increase.

8. **Any penalty would reduce the amount of the TANF block grant federal funds; then state funds would be required to replace the federal funds reduction. The replacement general fund is not budgeted and could be counted as MOE.**

This is true if the Department's assumptions are accurate.

9. **The increased cash benefit would reduce the TANF block grant ending fund balance.**

The benefits for these individuals are already included in the figures listed on the TANF tracking sheet that includes a 1% increase each year through 2015. There is more than enough money to cover these benefits. These individuals are current TANF recipients and their benefits are included in the TANF tracking sheet for the first and second twelve months. The only thing that changes is what activity is allowable.

What is your estimate of the fiscal impact?

\$0